No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE and UNITED STATES,

Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, Petitioner Return Mail, Inc. has no parent corporation, and no publicly held company holds 10% or more of its stock.

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INTRODUCTION

The Federal Circuit majority acknowledged that its ruling grants government agencies a "unique advantage" over all other litigants in America Invents Act (AIA) proceedings: agencies may seek review of issued patents without "being estopped in the Claims Court from relitigating the [same] grounds." Pet. App. 28a-29a. As Judge Newman observed in dissent, the majority's ruling "give[s] the United States the benefit of the AIA, but not the burden of the estoppel provision." Pet. App. 51a. The majority's approach thus unravels "the *quid pro quo* that underlay enactment of the AIA"—"expeditious and economical resolution of patent disputes without resort to the courts." *Id.* (quotation marks and citation omitted).

Although the Government seeks to minimize the significance of these issues, its arguments do not hold water. The questions presented are important to the proper functioning of the AIA's framework and squarely presented by the Federal Circuit's ruling. This Court's review is warranted.

ARGUMENT

I. THE QUESTIONS PRESENTED MERIT REVIEW

A. This Case Poses Important Questions About the Scope of Review Under the AIA

1. The Government does not dispute that the first question presented—whether government agencies are "person[s]" entitled to seek review under the

AIA—is important to patent owners, and particularly to patent owners who do business with or have claims against government agencies. *See* Pet. 14; *see also* Pet. App. 44a (Newman, J., dissenting) ("person" question is "[a]n important threshold issue"). That question affects not only the scope of covered business method (CBM) reviews—the type of proceeding at issue here—but also the scope of the AIA's other review programs, each of which authorizes "person[s]" to challenge previously issued patents. *See* 35 U.S.C. §§ 311(a) (inter partes review), 321(a) (post-grant review).

The "person" question is also recurring. Congress recognized that patent owners need the ability to sue government agencies for appropriation of their inventions, *see* 28 U.S.C. § 1498(a), and patent owners frequently make use of that mechanism to protect their intellectual property, *see* Pet. 26. Agencies have increasingly responded to section 1498(a) claims by seeking AIA review of the patents-in-suit. *See, e.g.*, *Department of Justice v. EnvisionIT, LLC*, No. IPR2017-183 (PTAB filed Nov. 2, 2016); *Department of Justice v. Discovery Patents, LLC*, No. IPR2016-1037 (PTAB filed May 13, 2016); *Department of Justice v. Iris Corp. Berhad*, No. IPR2016-497 (PTAB filed Jan. 22, 2016). Each of those proceedings raises the same "person" question presented here.

2. The second question presented—whether eminent domain actions under 28 U.S.C. § 1498(a) constitute suits "for infringement" under AIA section 18(a)(1)(B)—is important for the same reasons. Congress designed section 1498(a) to aid patent owners whose inventions are appropriated by government

agencies, but relief under section 1498(a) will be unavailable if such suits are displaced by CBM reviews. Additionally, as *amici* observe, the Federal Circuit's ruling allows the Postal Service to have it both ways by exercising sovereign powers while simultaneously taking advantage of AIA review rights this Court has characterized as belonging to "private parties." *See* Brief of 15 Law Professors as *Amici Curiae* in Support of Petitioner, at 2; *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). The Court has granted certiorari to address other important aspects of the AIA's structure,[1] and should do so here as well.

The Government's argument that the "infringement" question is of diminishing practical importance because the CBM program is scheduled to expire in September 2020, Brief in Opposition (Opp.) 20, overlooks the fact that CBM reviews will continue well past the statutory sunset date.[2] As the Patent and Trademark Office explained in adopting regulations for the CBM program, "Section 18 of the AIA and the regulations issued [thereunder] will continue to apply

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[1] *See SAS Institute*, 138 S. Ct. at 1354, 1359-60 (reversing 2-1 ruling, over Judge Newman's "vigorous dissent," that the Patent Trial and Appeal Board may review a subset of challenged patent claims); *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018); *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016).

[2] Elsewhere, the Government inaccurately asserts that *both* questions presented "have diminishing practical importance" due to the CBM program's sunset date. Opp. 8. The "person" issue applies equally to inter partes and post-grant reviews, neither of which has an expiration date.

after September 16, 2020, to any petition for a transitional proceeding that is filed before" that date. 77 Fed. Reg. 48734, 48735 (Aug. 14, 2012); *see also* AIA § 18(a)(3)(B). The Patent Trial and Appeal Board "generally takes up to 18 months" to resolve CBM reviews,[3] such that the "infringement" question will likely continue to have consequences for patent owners through 2022.

In addition, the House Judiciary Committee recently held a subcommittee hearing to consider proposals "to renew the [CBM] program,"[4] suggesting that Congress may extend CBM reviews beyond 2020. Regardless of whether Congress takes that step, the "infringement" question will remain critically important in the years ahead to the scores of patent owners whose inventions have been appropriated by government agencies. *See* Pet. 26-27.

B. This Case Is a Proper Vehicle for Resolving the Questions Presented

The Government does not dispute that the Federal Circuit decided both of the questions presented, or that the Federal Circuit's published opinion will govern all future cases that involve the same issues.

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[3] Testimony of John Neumann, Director, Natural Resources and Environment, U.S. Government Accountability Office, Before the Subcomm. on Courts, Intellectual Property and the Internet, Comm. on the Judiciary, U.S. House of Representatives, at 5 n.11 (Mar. 20, 2018), *available at* https://judiciary.house.gov/wp-content/uploads/2018/03/Neumann-Testimony.pdf.

[4] Malathi Nayak, *House Panel Probes Covered Business Method Patent Challenges*, Bloomberg Law (Mar. 20, 2018), https://www.bna.com/house-panel-probes-n57982090116/.

Nevertheless, the Government argues that the Court should forgo review because, in the Government's view, several case-specific considerations could hinder the Court's analysis. That argument does not withstand scrutiny.

1. Contrary to the Government's assertion, this case squarely presents the question whether government agencies such as the Postal Service are "person[s]" entitled to initiate AIA review proceedings. That issue is purely legal and does not depend on the record in this case. Moreover, the Federal Circuit resolved the merits of that question: the majority held, over Judge Newman's dissent, that the Postal Service is a "person" under section 18(a)(1)(B) of the AIA. Pet. App. 30a-32a. As noted, that holding resolves the issue not only for CBM reviews, but also for inter partes and post-grant reviews—both of which allow only "person[s]" to challenge issued patents. *See* 35 U.S.C. §§ 311(a), 321(a); *see also* Pet. App. 31a ("*The AIA* does not appear to use the term 'person' to exclude the government in other provisions." (emphasis added)). The dissent, on the other hand, explained in detail why government agencies are not "person[s]" entitled to seek AIA reviews. Pet. App. 47a-56a. The decision below thus provides a solid foundation for resolving the issue.

The "person" question is also dispositive here. If government agencies are not "person[s]" under AIA § 18(a)(1)(B), the Postal Service was not entitled to petition for CBM review of Return Mail's patent, and the Patent Trial and Appeal Board exceeded its statutory authority in hearing the matter. *See La. Pub. Serv. Comm'n v. FCC*, 476 U.S. 355, 374 (1986) (federal

agency "has no power to act ... unless and until Congress confers power upon it").[5]

The Government responds that this case is a "poor vehicle" for resolving the "person" question because the issue was not raised in the Federal Circuit. Opp. 8. But the Government overlooks the fact that the "person" issue was raised and decided by the Federal Circuit. That characteristic distinguishes this case from others in which an issue was not raised by the parties *or* decided by the court below. For example, in *Rogers v. Lodge*, 458 U.S. 613, 628 n.10 (1982), the Court declined to address an issue that "was not properly raised in the Court of Appeals *and was not addressed by that court.*" *Rogers*, 458 U.S. at 628 n.10 (emphasis added).

The "traditional rule," *United States v. Williams*, 504 U.S. 36, 41 (1992), is that "[a]ny issue 'pressed or passed upon below' by a federal court is subject to this Court's broad discretion over the questions it chooses to take on certiorari," *Verizon Commc'ns, Inc. v. FCC*, 535 U.S. 467, 530 (2002) (quoting *Williams*, 504 U.S. at 41). That requirement "operates (as it is phrased) in the disjunctive, permitting review of an issue not pressed so long as it has been passed upon." *Williams*, 504 U.S. at 41.

The *Williams* rule is satisfied here given the Federal Circuit's holding that the term "'person' in § 18(a)(1)(B) does not exclude the government." Pet.

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[5] Although the Government challenges Judge Newman's use of the phrase "subject matter jurisdiction," Opp. 8-9, in context Judge Newman focused not on jurisdiction but on "the limits of the agency's statutory powers," Pet. App. 46a.

App. 32a. Accordingly, there is no basis for declining to review the "significant issue" raised by the Federal Circuit's divided ruling. *Verizon*, 535 U.S. at 531; *see also Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995).

The Government also incorrectly asserts that review is unwarranted because the Postal Service differs from other federal agencies. Opp. 14-15. As the Government concedes, *id.* at 14, and as federal law directs, the Postal Service is "an independent establishment of the executive branch of the Government of the United States." 39 U.S.C. § 201. That classification forecloses the Government's argument.

Although a handful of lower courts have held that the Postal Service is a "person" under the Lanham Act, *see* Opp. 14, those decisions cannot bear the weight the Government places upon them.

First, the decisions cited by the Government predate this Court's ruling in *USPS v. Flamingo Industries (USA) Ltd.*, 540 U.S. 736 (2004), which held that the Postal Service is not a "person" under the Sherman Act. Although *Flamingo Industries* focused on the Postal Service's status "for purposes of the antitrust laws," *id.* at 746, the Court's reasoning reached more broadly. For example, the Court observed that:

- "[t]he statutory designation of the Postal Service as an 'independent establishment of the executive branch of the Government of the United States' is not consistent with the idea that it is an entity existing outside the Government," *id.* at 746;

- "Congress ... declined to create the Postal Service as a Government corporation," *id.*; and

- "[t]he Postal Service has different goals, obligations, and powers from private corporations," and exercises "significant governmental powers," *id.* at 741, 747.

That analysis casts substantial doubt on arguments that the Postal Service should be treated differently than other agencies. Indeed, the Ninth Circuit decision reversed by this Court in *Flamingo Industries* relied on the same decisions cited by the Government here as a basis for incorrectly concluding that the Postal Service is a "person" under the antitrust laws. *See Flamingo Indus. (USA) Ltd. v. USPS*, 302 F.3d 985, 992-93 (9th Cir. 2002).

Second, the reasoning of the lower-court decisions undermines the Government's argument. Those decisions rejected the Postal Service's argument that it is not a "person" under the Lanham Act because such a ruling would have allowed the Postal Service to avoid being held "accountable for its misdeeds." *Fed. Express Corp. v. USPS*, 151 F.3d 536, 546 (6th Cir. 1998). In particular, the Sixth Circuit refused to allow the Postal Service to use "the shield of governmental privilege" to deflect "accus[ations] of competitive wrongdoing." *Id.* Yet the Postal Service seeks to use personhood in the same way here: to escape accountability for its appropriation of Return Mail's invention.

2. The Government does not challenge the appropriateness of this case as a vehicle for deciding the "infringement" question, which was briefed and decided before the Patent Trial and Appeal Board and the Federal Circuit. There is thus no barrier to this Court's review of the issue.

II. THE FEDERAL CIRCUIT'S JUDGMENT IS INCORRECT

The need for review is further underscored by the Federal Circuit's failure to heed this Court's precedent and general principles of statutory interpretation.

1. This Court adopted a clear rule in *Vermont Agency of Natural Resources v. United States ex rel. Stevens*: The "longstanding interpretive presumption that 'person' does not include the sovereign ... may be disregarded only upon *some affirmative showing* of statutory intent to the contrary." 529 U.S. 765, 780-81 (2000) (emphasis added). The Federal Circuit did not follow that rule in holding that the Postal Service is a "person" entitled to petition for CBM review. Indeed, the Federal Circuit did not mention, much less analyze, *Vermont*'s affirmative-showing requirement. *See* Pet. 17-18. Rather, the Federal Circuit took the opposite approach by relying on a perceived *absence* of evidence that Congress intended to "*exclude* the government from filing [AIA] petitions." Pet. App. 32a (emphasis added).

The Government avoids the issue entirely. Like the Federal Circuit, it does not acknowledge or address *Vermont*'s affirmative-showing requirement. Although the Government argues that there "is no

hard and fast rule of exclusion," Opp. 9 (quoting *Georgia v. Evans*, 316 U.S. 159, 161 (1942)), that response is a red herring. This Court explained in *Vermont* that the presumption against classifying the government as a "person" is not a "hard and fast rule of exclusion" under *Georgia* precisely because the presumption can be overcome by an "affirmative showing" of statutory intent. 529 U.S. at 781.

The Federal Circuit's ruling is equally inconsistent with the principle that the meaning of the word "person" is derived from the surrounding "legislative environment." Opp. 10 (citation omitted). Here, the most salient feature of that environment is this Court's 2004 ruling in *Flamingo Industries* that the Postal Service is not a "person" under the antitrust laws. *See* 540 U.S. at 746-47. Congress enacted the AIA seven years later, yet provided no affirmative indication that it intended to disturb the rule that agencies are not "persons" under federal law.

It is true, as the Government contends, that some provisions of the Patent Act could be read as treating government agencies as "persons." *See* Opp. 10-11. But those provisions deal with who may own or apply for patents, not who may initiate proceedings to invalidate existing patents. Statutes that address the latter issue suggest that Congress did not intend to treat government agencies as "person[s]." *See, e.g.*, 35 U.S.C. §§ 302-303 (separately authorizing "[a]ny person" and the Director of the Patent and Trademark Office to initiate ex parte reviews); *see also* Pet. 20. Thus, the principle that "identical words used in different parts of the same act are intended to have the same meaning," Opp. 11 (citation omitted), "readily

yields to context" where, as here, a term "take[s] on distinct characters from association with distinct statutory objects calling for different implementation strategies," *Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2441 (2014) (citation and quotation marks omitted).[6]

2. The Federal Circuit's reading of the AIA's "sued for infringement" requirement is equally off-base. Like the Federal Circuit, the Government argues that "infringement" ordinarily is understood as the unauthorized use, manufacture, or sale of a patented invention. *See* Opp. 15. That argument ignores the Patent Act's definition of infringement, 35 U.S.C. § 271, which does not include government use—an issue addressed separately in 28 U.S.C. § 1498(a). *See* Pet. 23. Congress enacted the AIA, including its CBM provisions, against the backdrop of that established framework. *See Mississippi ex rel. Hood v. AU Optronics Corp.*, 571 U.S. 161, 169 (2014).[7]

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[6] The rule that equitable estoppel does not lie against the Government, Opp. 13-14, does not support the Federal Circuit's ruling. Estoppel under the AIA is not equitable, but statutory. *See* 35 U.S.C. §§ 315(e), 325(e); AIA § 18(a)(1)(D). Those provisions are the AIA's "backbone," "for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts." Pet. App. 51a (Newman, J., dissenting). There is little evidence that Congress intended to exempt government agencies from that *quid pro quo*.

[7] Although Return Mail's complaint alluded to the Postal Service's "infringement" of its invention, Opp. 16, that does not establish that Return Mail "sued" the Postal Service "for infringement" under AIA § 18(a)(1)(B). On the contrary, the

The Government also fails to account for the principle that "claim[s] for infringement," which "soun[d] in tort," are "totally distinct in the law" from "claim[s] of compensation for an authorized use" by the government. *Schillinger v. United States*, 155 U.S. 163, 169 (1894) (citation omitted). Under section 1498(a) and its predecessors, governmental taking of patent rights is not a tort, but the "rightful appropriation ... of a license to use the inventions." *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305 (1912). Infringement suits also differ from section 1498(a) actions in several other meaningful ways, including the forum for review, the scope of liability, and the measure of damages. *See* Pet. 7-8, 23.

Finally, although the Government cites cases that refer in passing to section 1498(a) actions as suits for "infringement," *see* Opp. 17, none of the cases turned on that issue.[8] For example, *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 656 (1983), described *Waite v. United States*, 282 U.S. 508 (1931), as "involv[ing] a patent infringement suit against the United States." But *Waite* more accurately characterized that claim as a "suit ... to recover for the unlicensed use of a patented invention," 282 U.S. at 508, without making any mention of "infringement." The Government's argument thus runs headlong into the rule that "[q]uestions which merely lurk in the record" do not

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complaint pled a single count for "unlicensed use of the '548 patent" under section 1498(a), which does not mention "infringement." *See* Pet. App. 166a.

[8] In contrast, courts that have closely analyzed section 1498(a) actions have repeatedly characterized them as sounding in eminent domain rather than infringement. *See* Pet. 22-23.

"constitute precedents." *Webster v. Fall*, 266 U.S. 507, 511 (1925).

CONCLUSION

The petition for a writ of certiorari should be granted.

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